

**REPORT OF THE AUDIT OF THE
MERCER COUNTY
CLERK**

**For The Period November 5, 2003
Through December 31, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MERCER COUNTY CLERK

**For The Period November 5, 2003
Through December 31, 2003**

The Auditor of Public Accounts has completed the Mercer County Clerk's audit for the period November 5, 2003 through December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Report Comment:

- The County Clerk Had A Deficit Of \$1,030 In His Account

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Mercer County Clerk
Members of the Mercer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Mercer County, Kentucky, for the period November 5, 2003 through December 31, 2003. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the period November 5, 2003 through December 31, 2003, in conformity with the regulatory basis of accounting.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Mercer County Clerk
Members of the Mercer County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Had A Deficit Of \$1,030 In His Account

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Mercer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2004

MERCER COUNTY
 RONNIE COMPTON, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period November 5, 2003 Through December 31, 2003

Revenues

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 55,444

Usage Tax 193,087

Tangible Personal Property Tax 181,957

Licenses-

Marriage 621

Deed Transfer Tax 8,355

Delinquent Tax 20,981 \$ 460,445

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts \$ 2,426

Real Estate Mortgages 7,111

Chattel Mortgages and Financing Statements 6,633

Powers of Attorney 143

All Other Recordings 4,125

Charges for Other Services-

Candidate Filing Fees 50

Copywork 1,388 21,876

Other:

Miscellaneous 132

Interest Earned 103

Total Revenues \$ 482,556

The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
 RONNIE COMPTON, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period November 5, 2003 Through December 31, 2003
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 40,188

Usage Tax 183,906

Tangible Personal Property Tax 66,069

Licenses, Taxes, and Fees-

Delinquent Tax 3,194

Legal Process Tax 2,692

Miscellaneous 1,844 \$ 297,893

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 11,730

Delinquent Tax 2,296

Deed Transfer Tax 4,500

Deed Transfer Tax Due Fiscal Court 3,437 21,963

Payments to Other Districts:

Tangible Personal Property Tax \$ 96,880

Delinquent Tax 8,658 105,538

Payments to Sheriff

1,099

Payments to County Attorney

3,865

Operating Expenditures:

Personnel Services-

Deputies' Salaries \$ 30,618

Materials and Supplies-

Office Supplies 8,812

Other Charges-

Conventions and Travel 140

Reimbursements 204

Postage 585

Miscellaneous 251 40,610

The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
 RONNIE COMPTON, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period November 5, 2003 Through December 31, 2003
 (Continued)

Expenditures (Continued)

Debt Service:

Computer Lease	\$	1,177	
Copier Lease		<u>1,430</u>	<u>\$ 2,607</u>

Total Expenditures			<u>\$ 473,575</u>
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Net Revenues			\$ 8,981
Less: Statutory Maximum			<u>9,478</u>

Excess Fees			\$ (497)
Less: Expense Allowance			<u>533</u>

Deficit for the Period November 5, 2003 through December 31, 2003			<u><u>\$ (1,030)</u></u>
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The accompanying notes are an integral part of this financial statement.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENT

For The Period November 5, 2003 Through December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MERCER COUNTY
NOTES TO FINANCIAL STATEMENT
For The Period November 5, 2003 Through December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Leases

The Clerk's office was committed to the following lease agreements as of December 31, 2003:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2003
Copier	\$ 271	60 Months	February 2004	\$ 271
Copier	68	60 Months	January 2005	952
Copier	68	60 Months	June 2005	1,224
Copier	76	60 Months	February 2005	76
Software/Hardware	1,177	60 Months	January 2005	15,301

MERCER COUNTY
RONNIE COMPTON, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

For The Period November 5, 2003 Through December 31, 2003

Assets

Cash in Bank	\$ 137,274
Deposits in Transit	33,588
Receivables:	
Due from Fiscal Court - Former Clerk's Salary Paid by Current Clerk	1,348
Due from 2004 Fee Account (NSF Checks Redeposited)	<u>811</u>
Total Assets	<u>\$ 173,021</u>

Liabilities

Paid Obligations-		
Outstanding Checks	\$ 30,918	
State Treasurer-		
Motor Vehicle Licenses	14,436	
Tangible Personal Property Tax	41,898	
Legal Process Tax	1,480	
Delinquent Tax	959	
Fiscal Court-		
Tangible Personal Property Tax	7,214	
Delinquent Tax	715	
Deed Transfer Tax	4,500	
Other Districts-		
Tangible Personal Property Tax	59,595	
Delinquent Tax	4,073	
Sheriff - Delinquent Tax	389	
County Attorney - Delinquent Tax	1,497	
Other	<u>2,940</u>	
Total Paid Obligations		\$ 170,614
Unpaid Obligations:		
Fiscal Court-		
Deed Transfer Tax	<u>\$ 3,437</u>	
Total Unpaid Obligations		<u>3,437</u>
Total Liabilities		<u>\$ 174,051</u>
Total Fund Deficit For the Period November 5, 2003 through December 31, 2003		<u><u>\$ (1,030)</u></u>

COMMENT AND RECOMMENDATION

MERCER COUNTY
 RONNIE COMPTON, COUNTY CLERK
COMMENT AND RECOMMENDATION

December 31, 2003

COMPLIANCE:

The County Clerk Had A Deficit Of \$1,030 In His Account

For the period November 5, 2003 through December 31, 2003 it was determined the County Clerk had a deficit of \$1,030. The deficit was due to the Clerk paying his full salary and expense allowance, while there were still unpaid obligations of the Clerk's office. During the audit period the Clerk owed the fiscal court an additional \$3,437 in deed transfer tax. This amount was not available to be paid due to the following:

- The current Clerk paid \$1,348 of the former Clerk's 2003 salary in error.
- The Clerk redeposited collections of \$811 on returned checks into the 2004 fee account.
- The Clerk paid his full salary and expense allowance before actually paying all liabilities of his office.

The Clerk should have paid the deed transfer tax first and then determined if the fees generated by the Clerk's office during the period would be sufficient to pay the maximum salary; if not, then he should submit a claim to the fiscal court to make up the difference.

Below is a schedule of amounts due to and due from the Clerk.

Bank Balance	\$ 248
Receivables Due Account:	
Former Clerk's Salary Due from Fiscal Court	1,348
Collections on Returned Checks Deposited into Wrong Account - Due from 2004 Fee Account	811
Unpaid Obligation:	
Deed Transfer Tax Due Fiscal Court	<u>(3,437)</u>
Total Deficit	<u><u>\$ (1,030)</u></u>

We recommend the County Clerk reimburse the fee account the \$1,030 from personal funds and once all other receivables and amounts have been collected and deposited into the 2003 fee account, pay the fiscal court the additional deed transfer tax due. Then the County Clerk should submit a claim to the fiscal court for salary contribution of \$1,030, in order for the Clerk to be paid the salary required by KRS 64.5275.

County Clerk's Response:

This was my first fee audit. I will support any decisions from my auditor.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John D. Trisler, Mercer County Judge/Executive
The Honorable Ronnie Compton, Mercer County Clerk
Members of the Mercer County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Mercer County Clerk for the period November 5, 2003 through December 31, 2003, and have issued our report thereon dated September 20, 2004. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mercer County Clerk's financial statement for the period November 5, 2003 through December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Clerk Had A Deficit Of \$1,030 In His Account



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mercer County Clerk internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 20, 2004

